

CITY OF BASTROP, LOUISIANA

FINANCIAL REPORT

June 30, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/27/08**HILL, INZINA & COMPANY**

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HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

The Honorable Clarence W. Hawkins, Mayor,
and Members of the Board of Aldermen
City of Bastrop, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of City of Bastrop, Louisiana (the "City"), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Management's discussion and analysis and the budgetary comparison schedules, presented as required supplementary information, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the required supplementary information and express no opinion on it. The other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

s\HILL, INZINA & CO.

January 16, 2008

REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)

CITY OF BASTROP, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the Year Ended June 30, 2007

As management of City of Bastrop, Louisiana (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. This discussion and analysis of management is designed to provide an objective and easy-to-read analysis of the City's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the City's finances. It is also intended to provide readers with an analysis of the short-term and long-term activities of the City based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the readers in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (the approved budget), and identify individual issues or concerns of individual funds.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of a greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and supplementary information that are provided in addition to this discussion and analysis of management.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements consist of the following components:

1. Government-wide financial statements

Government-wide financial statements are designed by GASB Statement No. 34 to change the way in which government financial statements are presented. It now provides readers for the first time with a concise "entity-wide" statement of net assets and statement of activities, seeking to give the users of the financial statements a broad overview of the City's financial position and results of operations in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or weakening. Evaluation of the overall economic health of the City would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities presents information detailing how the City's net assets changed during the most recent fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of this statement is to show the financial reliance of the City's distinct activities or functions on revenues provided by the citizenry of the City.

The government-wide financial statements report governmental activities of the City that are principally supported by taxes and intergovernmental revenues. Governmental activities include general administrative services, public safety, public works, sanitation, and public improvements.

2. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. All of the funds of the City are governmental funds that are used to account for all of the City's basic services and are reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and commitment of spendable resources for the near-term.

3. Notes to financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

In addition to the basic financial statements, the City also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Analysis

The following provides a summary of the net assets (in thousands of dollars) of the City's governmental activities as of June 30:

	<u>2007</u>	<u>2006</u>
Other assets	\$ 10,112	\$ 8,976
Capital assets	<u>5,202</u>	<u>-</u>
Total assets	<u>\$ 15,314</u>	<u>\$ 8,976</u>
Other liabilities	\$ 461	\$ 540
Long-term liabilities	<u>12,189</u>	<u>11,534</u>
Total liabilities	<u>\$ 12,650</u>	<u>\$ 12,074</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 4,766	\$ -
Restricted	3,866	3,474
Unrestricted (deficit)	<u>(5,968)</u>	<u>(6,572)</u>
Total net assets	<u>\$ 2,664</u>	<u>\$(3,098)</u>

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. Restricted net assets of the governmental activities represent resources that are subject to external restrictions as to how they may be used.

No capital assets or depreciation were recorded in the governmental activities of the government-wide financial statements for the year ended June 30, 2006 as additional time was needed to complete the inventory, however, long-term liabilities associated with those capital assets were recorded resulting in the governmental activities having deficit unrestricted net assets. Recording of the capital assets in the year ended June 30, 2007 increased the assets, net assets, and expenses of the governmental activities.

The following summarizes the City's net asset changes (in thousands of dollars) of the governmental activities between the two years ended June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Revenues and special item:		
Program revenues:		
Charges for services	\$ 2,021	\$ 2,003
Operating grants and contributions	438	760
Capital grants and contributions	338	551
General revenues:		
Taxes	9,625	9,505
Intergovernmental	754	681
Unrestricted investment earnings	363	248
Miscellaneous	247	-
Special item	<u>21</u>	<u>48</u>
Total revenues and special item	<u>\$ 13,807</u>	<u>\$ 13,796</u>
Expenses:		
General government	\$ 2,666	\$ 3,266
Public safety	5,130	4,980
Public works	2,283	2,041
Sanitation	1,469	1,452
Economic development	1,172	-
Debt service	<u>510</u>	<u>565</u>
Total expenses	<u>\$ 13,230</u>	<u>\$ 12,304</u>
Change in net assets	\$ 577	\$ 1,492
Net assets - beginning (deficit)	(3,098)	(4,590)
Prior period adjustments	<u>5,185</u>	<u>-</u>
Net assets - ending (deficit)	<u>\$ 2,664</u>	<u>\$ (3,098)</u>

The City's total revenues increased by only \$11,000 while the total costs of all programs and services increased by \$926,000. General government expenses decreased by \$600,000, public safety and public works expenses increased by \$150,000 and \$242,000, respectively, while sanitation and debt service expenses basically remained unchanged. Economic development expenses were largely related to the Wal-Mart project.

General revenues are those available for the City to pay for the governmental activities. For the year ended June 30, 2007, taxes were the largest general revenue source for the City and charges for services were second. Sales taxes were the largest tax revenue source.

Program revenues derive directly from the program itself or from parties outside the City's taxpayers or citizenry. As a whole, they reduce the cost of the function to be financed from the City's general revenues.

Financial Analysis of Governmental Funds

As of June 30, 2007, the City's governmental funds reported combined ending fund balances of \$9,689,244, an increase of \$1,215,600 from \$8,473,644 as of June 30, 2006. The overall increase resulted from long-term debt proceeds. Reserved fund balances from June 30, 2006 to June 30, 2007 increased from \$7,425,089 to \$7,968,975 due largely to collections of dedicated sales tax revenue.

Budgetary Highlights

The City made amendments to all of its budgets, but actual expenditures and other financing uses of \$14,091,532 of the General Fund exceeded budgeted expenditures and other financing uses of \$12,614,212 for the year ended June 30, 2007 by \$1,477,320 or 11.71%.

Actual expenditures and other financing uses of \$1,142,314 of the Sewer Use Fee Fund exceeded budgeted expenditures and other financing uses of \$1,048,849 for the year ended June 30, 2007 by \$93,465 or 8.91%.

Also, actual expenditures and other financing uses of the Sales Tax Fund of \$2,104,728 exceeded budgeted expenditures and other financing uses of \$640,198 for the year ended June 30, 2007 by \$1,464,530 or 228.76%.

Capital Assets and Debt Administration

The City's major capital asset additions during the current fiscal year were for equipment and building improvements funded by available cash and capital grants. Depreciation of capital assets of \$421,195 for the year ended June 30, 2007 was recorded in the governmental activities of the government-wide financial statements.

As of June 30, 2007, the City had long-term liabilities comprised of the following:

Certificates of indebtedness	\$ 1,781,500
Compensated absences	196,457
Pension liabilities	321,486
Sewer revenue bonds	7,400,000
Sales tax revenue bonds	<u>2,490,000</u>
Total long-term liabilities	<u>\$ 12,189,443</u>

All debt service requirements of the current fiscal year were timely met. The majority of long-term debt liabilities incurred for the year ended June 30, 2007 were certificates of indebtedness while the majority of debt retirements were made for sewer revenue bonds.

Economic Factor's and Next Year's Budget

The City's financial plan for the current year is well underway at this point in time. Budgets will soon be monitored to determine if amendments are necessary.

General Fund revenues and other financing sources were budgeted at \$12,556,315 for the year ending June 30, 2008 while actual revenues and other financing sources for the year ended June 30, 2007 were \$13,020,177. Expenditures and other financing uses of \$12,568,870 for the year ending June 30, 2008 were budgeted for the General Fund while expenditures and other financing uses were actually \$12,686,761 for the year ended June 30, 2007.

Requests for Information

This financial report is designed to provide a general overview of the City's financial picture for all those with an interest in the City's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the City Clerk, P.O. Box 431, Bastrop, Louisiana 71221-0431.

BASIC FINANCIAL STATEMENTS

CITY OF BASTROP, LOUISIANA

STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES

June 30, 2007

ASSETS

Cash	\$ 4,089,760
Pooled deposits	2,706,716
Receivables:	
Accounts	140,005
Taxes	223,184
Notes	51,458
Other	24,271
Inventory	66,285
Due from other governments	656,960
Restricted assets:	
Cash	346,372
Money market mutual funds	283,762
Pooled deposits	1,523,449
Capital assets:	
Land	971,242
Other capital assets, net of depreciation	<u>4,230,923</u>
 Total assets	 <u>\$ 15,314,387</u>

(continued)

CITY OF BASTROP, LOUISIANA

STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES (Continued)

June 30, 2007

LIABILITIES

Accounts payable	\$ 324,196
Accrued salaries	60,451
Refund due	37,214
Payable from restricted assets	1,117
Accrued interest	37,680
Long-term liabilities:	
Due within one year	1,038,559
Due in more than one year	<u>11,150,884</u>
Total liabilities	<u>\$ 12,650,101</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 4,765,905
Restricted for street and related improvements	3,865,930
Unrestricted (deficit)	<u>(5,967,549)</u>
Total net assets	<u>\$ 2,664,286</u>
 Total liabilities and net assets	 <u>\$ 15,314,387</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES

As of and for the Year Ended June 30, 2007

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Functions/Programs:					
Current:					
General government	\$ 2,665,797	\$ 815,721	\$ 340,740	\$ 186,300	\$(1,323,036)
Public safety	5,130,204	157,318	96,824	151,448	(4,724,614)
Public works	2,282,909	18,863	-	-	(2,264,046)
Sanitation	1,469,322	1,029,100	-	-	(440,222)
Economic development	1,172,638	-	-	-	(1,172,368)
Debt service:					
Interest and fiscal charges	460,044	-	-	-	(460,044)
Costs of debt issuance	<u>50,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,229)</u>
Totals	<u>\$ 13,230,873</u>	<u>\$ 2,021,002</u>	<u>\$ 437,564</u>	<u>\$ 337,748</u>	<u>\$(10,434,559)</u>

General revenues:

Taxes	\$ 9,624,563
Intergovernmental	754,103
Unrestricted investment earnings	363,346
Miscellaneous	247,362

Special item:

Donated capital asset from Homeland Security	21,841
Total general revenues and special item	<u>\$ 11,011,215</u>

Changes in net assets \$ 576,656

Net assets - beginning (deficit) (3,097,625)

Prior period adjustments 5,185,255

Net assets - ending \$ 2,664,286

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2007

	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
ASSETS				
Cash	\$ 156,983	\$ 179,342	\$ 3,753,435	\$ 4,089,760
Pooled deposits	968,158	1,738,558	-	2,706,716
Receivables:				
Accounts	-	140,005	-	140,005
Taxes	199,979	-	23,205	223,184
Notes	51,458	-	-	51,458
Other	24,271	-	-	24,271
Inventory	66,285	-	-	66,285
Due from other governments	656,960	-	-	656,960
Restricted assets:				
Cash	130,665	80,729	134,978	346,372
Money market mutual funds	-	283,762	-	283,762
Pooled deposits	<u>-</u>	<u>1,523,449</u>	<u>-</u>	<u>1,523,449</u>
Total assets	<u>\$ 2,254,759</u>	<u>\$ 3,945,845</u>	<u>\$ 3,911,618</u>	<u>\$ 10,112,222</u>

(continued)

CITY OF BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)

June 30, 2007

	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 239,875	\$ 38,633	\$ 45,688	\$ 324,196
Accrued salaries	60,451	-	-	60,451
Refund due	37,214	-	-	37,214
Payable from restricted asset	<u>1,117</u>	<u>-</u>	<u>-</u>	<u>1,117</u>
Total liabilities	<u>\$ 338,657</u>	<u>\$ 38,633</u>	<u>\$ 45,688</u>	<u>\$ 422,978</u>
Fund balances:				
Reserved for net restricted asset	\$ 129,548	\$ -	\$ -	\$ 129,548
Reserved for inventory	66,285	-	-	66,285
Reserved for sewage system	-	3,907,212	-	3,907,212
Reserved for street and related improvements	-	-	3,865,930	3,865,930
Unreserved and undesignated	<u>1,720,269</u>	<u>-</u>	<u>-</u>	<u>1,720,269</u>
Total fund balances	<u>\$ 1,916,102</u>	<u>\$ 3,907,212</u>	<u>\$ 3,865,930</u>	<u>\$ 9,689,244</u>
 Total liabilities and fund balances	 <u>\$ 2,254,759</u>	 <u>\$ 3,945,845</u>	 <u>\$ 3,911,618</u>	 <u>\$ 10,112,222</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCES - GOVERNMENTAL FUNDS

As of and for the Year Ended June 30, 2007

	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Revenues:				
Taxes	\$ 8,713,791	\$ -	\$ 910,772	\$ 9,624,563
Licenses and permits	516,436	-	-	516,436
Intergovernmental	1,514,579	-	-	1,514,579
Fees, charges, and commissions for services	256,018	1,029,100	-	1,285,118
Fines and forfeitures	128,358	-	-	128,358
Interest and miscellaneous	<u>390,995</u>	<u>193,482</u>	<u>132,157</u>	<u>716,634</u>
Total revenues	<u>\$ 11,520,177</u>	<u>\$ 1,222,582</u>	<u>\$ 1,042,929</u>	<u>\$ 13,785,688</u>
Expenditures:				
Current:				
General government	\$ 2,535,703	\$ -	\$ -	\$ 2,535,703
Public safety	4,948,263	-	-	4,948,263
Public works	1,994,952	-	224,825	2,219,777
Sanitation	1,025,841	388,629	-	1,414,470
Economic development	1,190,321	-	-	1,190,321
Debt service:				
Principal	1,639,329	470,000	260,000	2,369,329
Interest and fiscal charges	75,875	283,685	111,409	470,969
Costs of debt issuance	50,229	-	-	50,229
Capital outlay	<u>631,019</u>	<u>-</u>	<u>103,723</u>	<u>734,742</u>
Total expenditures	<u>\$ 14,091,532</u>	<u>\$ 1,142,314</u>	<u>\$ 699,957</u>	<u>\$ 15,933,803</u>
Excess (deficiency) of revenues over expenditures	<u>\$(2,571,355)</u>	<u>\$ 80,268</u>	<u>\$ 342,972</u>	<u>\$(2,148,115)</u>

(continued)

CITY OF BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (Continued)

As of and for the Year Ended June 30, 2007

	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Other financing sources (uses):				
Revenue anticipation note proceeds	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Long-term debt proceeds	<u>1,534,000</u>	<u>-</u>	<u>-</u>	<u>1,534,000</u>
Total other financing sources (uses)	<u>\$ 3,034,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,034,000</u>
Net change in fund balances	\$ 462,645	\$ 80,268	\$ 342,972	\$ 885,885
Fund balances - beginning	1,123,742	3,826,944	3,522,958	8,473,644
Prior period adjustments	<u>329,715</u>	<u>-</u>	<u>-</u>	<u>329,715</u>
Fund balances - ending	<u>\$ 1,196,102</u>	<u>\$ 3,907,212</u>	<u>\$ 3,865,930</u>	<u>\$ 9,689,244</u>

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2007

Total fund balances - governmental funds balance sheet	\$ 9,689,244
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Amounts reported for governmental activities in statement of net
assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,202,165
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Long term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	<u>(12,227,123)</u>
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Total net assets of governmental activities - government-wide statement of net assets	<u>\$ 2,664,286</u>
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See notes to financial statements.

CITY OF BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

June 30, 2007

Net change in fund balances - governmental funds \$ 885,885

Amounts reported for governmental activities in statement of
activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as a depreciation expense. This is the amount by which capital outlays (\$734,742) and donated capital assets (\$21,841) exceeded depreciation expense (\$421,195) in the current period. 335,388

Governmental funds report debt proceeds as current financial resources. However, in the statement of activities, debt proceeds increase long-term liabilities. This is the amount of current debt proceeds. (3,034,000)

Governmental funds report principal and interest payments on long-term obligations as an expense when actually paid. However, in the statement of activities, interest is expensed as accrued and principal payments are reported as reductions of the related debt. This is the amount related to these reporting differences. 2,380,254

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 9,129

Changes in net assets of governmental activities - government-wide
statement of activities \$ 576,656

See notes to financial statements.

CITY OF BASTROP, LOUISIANA

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2007

Note 1. Organization and Summary of Significant Accounting Policies

City of Bastrop, Louisiana (the "City"), operates under a mayor-board of aldermen form of government in accordance with the provisions of the charter adopted July 3, 1952. Citizens elect the mayor (at large) and five council members (by districts) who are each compensated. The City is located in northeast Louisiana, its population is approximately 13,000, and it employs approximately 175 people.

The following services are provided as authorized by its charter: general administrative services, public safety (police and fire), public works (building maintenance, cemetery, health, recreation, and streets), sanitation, and public improvements.

Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the City is considered a primary government, as it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the City may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. the ability of the municipality to impose its will on that organization and/or
 - b. the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

NOTES TO FINANCIAL STATEMENTS

Based on the criteria, the City has determined that City of Bastrop Sales Tax District No. 1 is a component unit of the reporting entity. As required by generally accepted accounting principles, these financial statements present the primary government (the City) and its component unit. The component unit is reported as part of the municipality and blended with the appropriate municipality funds.

Component units that are legally separate from the municipality, but are so intertwined with the municipality that they are, in substance, the same as the municipality, are blended component units. For a component unit to be blended, the organization's board and the municipality's must be substantively the same or the organization must provide services entirely or almost entirely to the municipality.

Also considered in the determination of component units of the reporting entity were Bastrop City Marshal and City Court of Bastrop. It was determined that these governmental entities are not component units of the City's reporting entity because they are staffed by independently elected officials, are legally separate, and are fiscally independent of the City.

The more significant of the City's accounting policies are described below:

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements report governmental activities, generally supported by taxes and intergovernmental revenues. The City has no business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report licenses, permits, fees, fines, forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported instead as general revenues.

NOTES TO FINANCIAL STATEMENTS

Fund Financial Statements:

Fund financial statements are provided for governmental funds with major individual governmental funds reported in separate columns.

Basis of Accounting, Measurement Focus, and Financial Statement Presentation:

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include services provided to City departments. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest related to long-term debt, as well as expenditures related to compensated absences, which are reported as expenditures only when payment is due.

Major revenue sources susceptible to accrual are ad valorem taxes, sales taxes, gross receipts taxes, intergovernmental revenues, and sewer use fees. In general, other revenues are recognized when cash is received.

Fund Types and Major Funds:

The City reports the following major governmental funds:

General Fund - the general operating fund of the City and accounts for all financial resources, except those required to be accounted for in other funds.

Sewer Use Fee Fund - accounts for a dedicated source of revenue available for repayment of funds borrowed to make improvements to the sewage treatment and collection systems.

NOTES TO FINANCIAL STATEMENTS

Sales Tax Fund - accounts for a dedicated source of revenue available for maintaining, improving, repairing, and extending streets, sidewalks, alleys, roadways, and related drainage within the territorial limits of City of Bastrop Sales Tax District No. 1.

Budgets and Budgetary Accounting:

The Board of Aldermen adopted annual budgets for the General Fund and Special Revenue Funds (Sewer Use Fee and Sales Tax) on June 30, 2006. The annual budgets were prepared in accordance with the basis of accounting utilized by the funds. The City Clerk is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter total expenditures, resulting from revenues exceeding amounts estimated, must be approved by the Board of Aldermen. Final amendments were made to all budgets on June 29, 2007 and the budgetary comparison schedules, included as supplementary information in the accompanying financial statements, include the original and final amended budgeted amounts. All annual appropriations lapse at the end of each fiscal year.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash:

Cash includes amounts in interest-bearing demand and time deposits. Under state law, the City may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Money Market Mutual Funds and Pooled Deposits:

Money market mutual funds and pooled deposits are stated at fair value based on quoted market values. The fair value of the deposits is determined on a weekly basis to monitor any variances between amortized cost and market value. Legally binding guarantees have not been obtained to support the value of the deposits as all are short-term, highly-liquid securities.

NOTES TO FINANCIAL STATEMENTS

State statutes authorize the City to invest in United States bonds, treasury notes and bills, or certificates or time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer in 1993 and organized under the laws of the State of Louisiana, which operates a local government investment pool.

Receivables and Due From Other Governments:

Significant receivables include franchise taxes, sales taxes, intergovernmental revenues, and amounts due from customers for utility services. Un-billed utility service receivables resulting from utility services rendered from the last date prior to the end of the fiscal year that meters were read to the end of the fiscal year are included in the amounts recorded as due from utility customers. Intergovernmental receivables are primarily comprised of amounts due from Bastrop Area Fire Protection District No. 2 (see Note 17). Revenue from grants is recorded as earned when eligibility requirements are met.

Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. City management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

Inventory:

Inventory of the General Fund consists of expendable supplies held for consumption and is reported at cost. Expenditures are recognized when the items are purchased.

Interfund Transactions:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as due to/from other funds (i.e. the current portion of interfund loans) in the fund financial statements.

Transfers and payments within the reporting entity that are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis are reported as operating transfers between funds of the reporting entity.

Interfund transactions are eliminated in the government-wide financial statement of activities within the segregated governmental activities.

NOTES TO FINANCIAL STATEMENTS

Restricted Assets:

Restricted assets are reported for cash, money market mutual funds, or pooled deposits legally restricted for specified uses such as payment of debt service and fiscal fees on long-term debt.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Capital Assets and Depreciation:

Capital assets, which include property, plant, and equipment, with useful lives of more than one year, are reported in the government-wide financial statements. Capital assets are recorded at historical cost or estimated cost if historical cost is not available. Donated assets are stated at fair value on the date of donation.

The City generally capitalizes all individual assets (including infrastructure) with costs of \$2,500 or more as purchase and construction outlays occur. City's management opted, upon implementing GASB No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* during the current fiscal year ended June 30, 2007, not to retroactively report general infrastructure assets as all are considered fully depreciated.

The costs of normal maintenance and repairs not adding to an asset's value or materially extending its useful life are not capitalized. Upon disposition of capital assets, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

As surplus assets are sold when declared no longer needed for public purposes, salvage value is taken into consideration for depreciation purposes. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	25 - 40 years
Machinery and equipment	5 - 15 years
Roads	20 years

NOTES TO FINANCIAL STATEMENTS

Accumulated Compensated Absences:

Allowable annual vacation and sick leave is prescribed by municipal ordinance, based on length of continuous employment by the City, accrued on an employment anniversary basis, and accrued to specified maximums. Compensatory time is also granted to supervisory personnel in lieu of overtime pay. Employees may accumulate unused compensatory time which is paid to the employee in the form of time off or at the employee's current rate of pay upon separation from service.

The City's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16, *Accounting for Compensated Absences*, provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following approaches:

1. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

Estimated accrued compensated absences resulting from unused vacation and compensatory time at the end of the fiscal year are recorded as long-term liabilities in the government-wide financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

NOTES TO FINANCIAL STATEMENTS

Compensated absences are paid from the fund responsible for the employee's compensation with all liabilities payable from the General Fund.

Long-Term Liabilities:

Accrued compensated absences, outstanding debt, and the related accrued interest is reported as liabilities in the government-wide financial statements. The fund financial statements recognize proceeds of debt as other financing sources of the current period. Expenditures for compensated absences, long-term debt principal, and interest payments are recorded in the fund financial statements only when payment is due.

Equity Classifications:

In the government-wide financial statements, equity is classified as net assets and classified into two components:

1. Restricted - consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
2. Unrestricted - consists of all other assets.

In the fund financial statements, governmental fund balances are classified as reserved or unreserved, with unreserved further classified as undesignated as amounts are available for appropriation and not legally restricted for specified purposes. Fund balance is reserved for amounts not available for appropriation or legally restricted for specified purposes.

Revenue Recognition - Ad Valorem and Sales/Use Taxes:

Ad valorem taxes attach as an enforceable lien on property as of January 1. Taxes are levied by the City in September or October, are actually billed to the taxpayers in November, and are due and payable on or before December 31 of the same year or the unpaid taxes become delinquent. The City bills and collects its own property taxes using the assessed values determined by the tax assessor of Morehouse Parish.

Sales/use taxes collected and held by other governments at year end on behalf of the City and those collected by other governments and remitted to the City within 60 days after June 30 for preceding months are recognized as revenue. The sales/use taxes are collected by Morehouse Sales and Use Tax Commission and remitted to the City.

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash and Deposits

The following is a summary of cash and deposits of the City as of June 30, 2007:

Non-pooled deposits:	
Interest-bearing demand deposits	\$ 4,304,803
Non-interest-bearing escrow	129,229
Petty cash	2,100
Money market mutual funds	283,762
Pooled deposits	<u>4,230,165</u>
	<u>\$ 8,950,059</u>

The non-pooled deposits are stated at cost, which approximates market. Under state law, the non-pooled deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held by the City or its agent in the name of the City in a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2007, the City had \$5,103,211 in non-pooled demand deposits (collected bank balances). These deposits were secured from risk by \$200,000 of federal deposit insurance (GASB Category 1) and \$1,114,797 of pledged securities held by the City or its agent in the City's name (GASB Category 1). The remaining \$3,788,414 in deposits were held by a bank that did not respond to numerous requests made as of the date of this report as to the pledge of securities.

Collateralization is not required for investments in money market mutual funds.

Pooled deposits are held as of June 30, 2007 by Louisiana Asset Management Pool, Inc. (LAMP) and the corporate trust department of Regions Bank. In accordance with GASB, the pooled deposits held by the City as of June 30, 2007 are not categorized in the three risk categories provided by GASB because the pooled deposits are in pools of funds and thereby not evidenced by securities that exist in physical or book entry form.

LAMP is administered by a Louisiana non-profit corporation, LAMP, Inc., which is governed by a board of members elected by the pool's participants each year at the annual meeting. The objective of LAMP is to provide safety of principal and daily liquidity with a competitive rate of return. LAMP invests its assets only in securities and other obligations that are permissible under Louisiana state law for local governments. Regions Bank restricts its investments to securities issued, guaranteed, or otherwise backed by the U.S. Treasury,

NOTES TO FINANCIAL STATEMENTS

the U.S. government, or one of its agencies or instrumentalities, government-only money market funds rated AA+ by Standard & Poor's, and commercial paper of domestic United States corporations rated A-1 or A-1+ by Standard & Poor's.

There were no repurchase or reverse repurchase agreements as of June 30, 2007.

Note 3. Receivables and Due From Other Governments

The following is a summary of receivables and due from other governments of the governmental activities as of June 30, 2007:

	<u>General Fund</u>	<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
Taxes:				
Ad valorem	\$ 4,008	\$ -	\$ -	\$ 4,008
Franchise	79,561	-	-	79,561
Sales	116,410	-	23,205	139,615
Intergovernmental:				
Federal	28,125	-	-	28,125
State	158,673	-	-	158,673
Local	470,162	-	-	470,162
User fees:				
Sewer	<u>-</u>	<u>140,005</u>	<u>-</u>	<u>140,005</u>
	<u>\$ 856,939</u>	<u>\$ 140,005</u>	<u>\$ 23,205</u>	<u>\$ 1,020,149</u>

Note 4. Taxes

For the year ended June 30, 2007, ad valorem taxes of 40.47 mills were levied on property with assessed valuations totaling \$77,485,320 as follows:

	<u>Maximum Millage</u>	<u>Authorized Millage</u>	<u>Expiration Date</u>
General corporate purposes	9.58	9.58	Perpetual
Police	6.80	6.80	2021
Street improvements	6.80	6.80	2021
Sewer maintenance	6.80	6.80	2021
Fire (#1)	3.40	3.40	2021
Fire (#2)	3.23	3.23	2023
Recreation	2.56	2.56	2023
Cemetery	.65	.65	2023
Building maintenance	.65	.65	2023

NOTES TO FINANCIAL STATEMENTS

The following is the principal ad valorem taxpayer for the City:

	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>Ad Valorem Tax Revenue</u>
International Paper Company	\$ 26,713,130	34.48%	\$ 1,081,080

Total ad valorem taxes levied were \$3,135,904. There were \$4,008 of uncollected ad valorem taxes as of June 30, 2007.

The following sales and use taxes were levied as of June 30, 2007:

<u>Rate</u>	<u>Purpose</u>	<u>Expiration Date</u>
½%	any lawful municipal purposes	June 1, 2010
½%	any lawful municipal purposes	August 1, 2009
1%	any and all lawful municipal purposes	August 1, 2008
½%	general, fire, and police operations	Perpetual
½%	streets, sidewalks, alleys, roadways, and related drainage	December 31, 2014

Note 5. Restricted Assets and Liabilities Payable From Same

Restricted assets of \$130,665 of the General Fund, \$1,887,940 of the Sewer Use Fee Fund, and \$134,978 of the Sales Tax Fund consist of funds required to be maintained and the use is restricted.

Note 6. Loans Receivable

The General Fund made loans to local businesses to purchase industrial park lots during the year ended June 30, 2002. The terms and balances of these outstanding individual loans as of June 30, 2007 are as follows:

<u>Lendee</u>	<u>Original Note</u>	<u>Monthly Payment</u>	<u>Term in Months</u>	<u>Beginning Date of Payments</u>	<u>Interest Rate</u>	<u>Balance June 30, 2007</u>
Jireh Plastics and Assemblies, L.L.C.	\$ 4,500	\$ 137	36	January 1, 2004	6.00%	\$ 4,500
3-D Trucking, L.L.C.	<u>18,000</u>	548	36	November 1, 2003	6.00%	<u>17,542</u>
	<u>\$ 22,500</u>					<u>\$ 22,042</u>

NOTES TO FINANCIAL STATEMENTS

The loans made provision for payment by economic impact credits if the businesses employed the required number of full-time, local employees during the stated consecutive quarters of the 2003 calendar year. Failure by both parties to meet the defined economic impact credits and/or ceasing operations resulted in initial payments becoming due on November 1, 2003 or January 1, 2004. As of June 30, 2007, only one monthly payment had been received from one party.

In previous years, the City made low-interest loans to qualified applicants who used the loan proceeds for economic development and the creation of jobs. As of June 30, 2007, the term and balance of the outstanding individual loan are as follows:

<u>Lendee</u>	<u>Original Note</u>	<u>Monthly Payment</u>	<u>Term in Months</u>	<u>Beginning Date of Payments</u>	<u>Interest Rate</u>	<u>Balance June 30, 2007</u>
Foley Mechanical, L.L.C.	<u>\$ 36,000</u>	\$ 1,079	36	May 1, 2003	5.00%	<u>\$ 29,416</u>

As of June 30, 2007, management of the City determined that outstanding balances on an original loan of \$22,500 made by the City with provision for payment by economic impact credits and two low-interest loans with unpaid balances totaling \$2,821 were uncollectible due to the borrowers declaring bankruptcy, ceasing operations, etc. and expensed the amounts as bad debts in the General Fund.

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets and Depreciation

Capital assets and depreciation activity as of and for the year ended June 30, 2007 for the governmental activities is as follows:

	Balance - July 1, <u>2006</u>	<u>Increases</u>	Balance - June 30, <u>2007</u>
Governmental activities:			
Capital assets, not being depreciated:			
Land	\$ 971,242	\$ -	\$ 971,242
Capital assets being depreciated:			
Infrastructure	\$ 195,741	\$ 261,285	\$ 457,026
Buildings and improvements	4,114,377	207,100	4,321,477
Machinery and equipment	5,314,240	288,198	5,602,438
Total capital assets being depreciated	\$ 9,624,358	\$ 756,583	\$ 10,380,941
Less accumulated depreciation for:			
Infrastructure	\$ 32,475	\$ 14,569	\$ 47,044
Buildings and improvements	2,426,903	88,696	2,515,599
Machinery and equipment	3,269,445	317,930	3,587,375
Total accumulated depreciation	\$ 5,728,823	\$ 421,195	\$ 6,150,018
Total capital assets being depreciated, net	\$ 3,895,535	\$ 335,388	\$ 4,230,923

Upon the City implementing GASB Statement No. 34 during the year ended June 30, 2007, no asset deletions were reported in the financial statements as proceeds from all asset dispositions (capital and non-capital) totaled only \$5,729. Capital asset dispositions will be reported in future periods.

Depreciation expense of the City for the year ended June 30, 2007 was charged to the following governmental functions:

General government	\$ 112,813
Public safety	184,562
Public works	62,382
Sanitation	54,852
Economic development	6,586
	<u>\$ 421,195</u>

As of June 30, 2007, approximately 25% of the City's net capital assets' costs being depreciated were estimated.

NOTES TO FINANCIAL STATEMENTS

Note 8. Short-Term Debt

On September 19, 2006, the City issued a \$1,500,000 revenue anticipation note for the purpose of paying current general expenses for the fiscal year ended June 30, 2007. The maturity date was on or before March 1, 2007 and the City paid the note in full with interest thereon in February 2007.

NOTES TO FINANCIAL STATEMENTS

Note 9. Changes in Long Term Debt

The following is a summary of long-term debt transactions of the governmental activities of the City for the year ended June 30, 2007:

	<u>General Fund</u>			<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>		
	<u>Subordinated Certificates of Indebtedness</u>	<u>Capital Leases</u>	<u>Compensated Absences</u>	<u>Pension Liabilities</u>	<u>Sewer Revenue Bonds</u>	<u>Sales Tax Revenue Bonds</u>	<u>Totals</u>
Long-term debt payable -							
July 1, 2006	\$ 291,000	\$ -	\$ 25,442	\$ 391,873	\$ 7,870,000	\$ 2,750,000	\$ 11,533,900
Additions	-	1,534,000	-	-	-	-	1,545,284
Retirements	<u>(43,500)</u>	<u>-</u>	<u>(25,442)</u>	<u>(70,387)</u>	<u>(470,000)</u>	<u>(260,000)</u>	<u>(889,741)</u>
Long-term debt payable -							
June 30, 2007	\$ 247,500	\$ 1,534,000	\$ -	\$ 321,486	\$ 7,400,000	\$ 2,490,000	\$ 12,189,443

The following is a summary of the current (due within one year) and long-term (due in more than one year) portions of long-term obligations of the governmental activities as of June 30, 2007:

	<u>General Fund</u>				<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>
	Certificates of Indebtedness	Subordinated Certificates of Indebtedness	Compensated Absences	Pension Liabilities	Sewer Revenue Bonds	Sales Tax Revenue Bonds
Current portion	\$ 45,000	\$ -	\$ 163,668	\$ 79,890	\$ 480,000	\$ 270,000
Long-term portion	<u>202,500</u>	<u>1,534,000</u>	<u>32,789</u>	<u>241,596</u>	<u>6,920,000</u>	<u>2,220,000</u>
	\$ 247,500	\$ 1,534,000	\$ 196,457	\$ 321,486	\$ 7,400,000	\$ 2,490,000

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NOTES TO FINANCIAL STATEMENTS

The outstanding certificates of indebtedness and bonds as of June 30, 2007 are comprised of the following individual issues:

Certificates of Indebtedness Series 2002 - dated July 11, 2002, non-interest bearing, principal due July 1 of each year.

Certificates of Indebtedness Series 2002 - dated July 11, 2002, bear interest at 5.0% per annum, interest due January 1 and July 1 of each year, principal due July 1 of each year.

The City issued the certificates of indebtedness to Louisiana Public Facilities Authority (\$67,500) and to a local bank (\$382,500) for the purpose of (a) refunding prior certificates; (b) paying costs of acquiring public works equipment; (c) the acquisition, construction, and installation of improvements to the City's infrastructure, including streets and drainage; and (d) paying costs incurred in connection with the issuance of the certificates.

The certificates are payable as to principal and interest from an irrevocable pledge and dedication of the City's excess revenues above statutory, necessary, and usual charges in each fiscal year during which the certificates are outstanding.

\$494,000 Subordinated Certificate of Indebtedness Series 2006A - dated April 27, 2006, initially shall not bear interest except in the event of a default in payment until the fifth anniversary, then bears interest at 5.0% per annum, interest and principal due January 14th of each year until the balance is paid.

\$1,040,000 Subordinated Certificate of Indebtedness Series 2006B - dated August 16, 2006, initially shall not bear interest except in the event of a default in payment until the fifth anniversary, then bears interest at 5.0% per annum, interest and principal due January 14th of each year until the balance is paid.

Each annual principal installment for the total subordinated certificates shall be equal to the lesser of the current outstanding principal balance of the certificates or 50% of the City's incremental sales tax revenue calculated by subtracting each of the current month's sales tax collections in the current year from the same month in the base year. The City's bond counsel has corresponded that "the term on repayment is essentially until the balance is paid".

The City issued the subordinated certificates of indebtedness to Wal-Mart for the purpose of the City to construct and install improvements on Wal-Mart's behalf.

NOTES TO FINANCIAL STATEMENTS

The certificates are payable as to principal and interest solely from a pledge and dedication of the excess of annual revenues of the City above statutory, necessary, and usual charges in each fiscal year during which the certificates are outstanding after payment of the superior indebtedness (series 2002 certificates).

\$7,500,000 Sewer Revenue Bonds - dated December 1, 1994, bear interest at 2.45% per annum, interest and principal payable July 1 of each year.

\$1,700,000 Sewer Revenue Bonds - dated November 1, 2002, bear interest at a rate not to exceed 7.0% per annum, interest due May 1 and November 1 of each year, principal due November 1 of each year.

\$2,100,000 Sewer Revenue Bonds - dated September 24, 2003, bear interest at a rate not to exceed 6.0% per annum, interest due May 1 and November 1 of each year, principal due November 1 of each year.

Proceeds of the sewer revenue bonds dated in 1994 were received in two separate series and for the purpose of financing the acquisition and construction of extensions and improvements to the City's sewage and wastewater collection, treatment, and disposal systems.

The proceeds of the sewer revenue bonds dated in 2002 and 2003 were for the purpose of providing funds to (a) construct and acquire improvements, extensions, replacements, and renovations to the City's sewage system, including appurtenant equipment, accessories, and properties, both personal and real; (b) fund the reserve requirement; and (c) pay the costs of issuance of the bonds.

The sewer revenue bonds are payable as to principal, interest, and administrative fees solely from the revenues and income derived or to be derived from the operation of the sewage system.

\$3,000,000 Sales Tax Revenue Bonds - dated July 1, 2005, bear interest at rate varying from 3.85% to 4.05%, interest and principal payable July 1 of each year.

Proceeds of the sales tax revenue bonds were for the purpose of maintaining, improving, repairing, and extending the streets, sidewalks, alleys, roadways, and related drainage within the territorial limits of City of Bastrop Sales Tax District No. 1.

The bonds are payable solely from and secured by an irrevocable pledge and dedication of the avails or proceeds of a one-half percent sales and use tax subject only to the prior payment of the reasonable and necessary costs and expenses of collecting and administering the tax.

NOTES TO FINANCIAL STATEMENTS

All of the bond covenants contain significant requirements for annual debt service and flow of funds through various restricted accounts. Specifically, the revenue bond indentures require the use of revenue, bond proceeds, operations and maintenance, reserve, sinking, construction, and renewal and replacement accounts. The City is in compliance with all significant requirements of the various bond covenants.

The interest and principal payments on both the series 2002 certificates of indebtedness and bonds due July 1 of the succeeding fiscal year are consistently being reported and budgeted by the City in the current fiscal year when payments are actually made.

The annual requirements to amortize the series 2002 certificates of indebtedness, pension liabilities, and revenue bonds of the governmental activities as of June 30, 2007 are as follows:

Year Ending June 30,	<u>General Fund</u>		<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
	<u>Certificates of Indebtedness</u>	<u>Pension Liabilities</u>	<u>Sewer Revenue Bonds</u>	<u>Sales Tax Revenue Bonds</u>	
2008	\$ 45,000	\$ 79,891	\$ 485,000	\$ 270,000	\$ 879,891
2009	47,000	85,262	505,000	280,000	917,262
2010	49,000	90,996	510,000	295,000	944,996
2011	52,000	65,337	535,000	305,000	957,337
2012	54,500	-	550,000	315,000	919,500
2013 - 17	-	-	2,525,000	1,025,000	3,550,000
2018 - 22	-	-	835,000	-	835,000
2023 - 27	-	-	850,000	-	850,000
2028 - 29	-	-	605,000	-	605,000
Totals	<u>\$ 247,500</u>	<u>\$ 321,486</u>	<u>\$ 7,400,000</u>	<u>\$ 2,490,000</u>	<u>\$ 10,458,986</u>

The City incurred and charged to expense \$463,296 of interest costs during the year ended June 30, 2007. The annual requirements to amortize all interest and administrative fees applicable to the series 2002 certificates of indebtedness, pension liabilities, and revenue bonds of the governmental activities as of June 30, 2007 are as follows:

NOTES TO FINANCIAL STATEMENTS

Year Ending June 30,	<u>General Fund</u>		<u>Sewer Use Fee Fund</u>	<u>Sales Tax Fund</u>	<u>Totals</u>
	<u>Certificates of Indebtedness</u>	<u>Pension Liabilities</u>	<u>Sewer Revenue Bonds</u>	<u>Sales Tax Revenue Bonds</u>	
	<u>Interest</u>	<u>Interest</u>	<u>Interest</u>	<u>Interest</u>	
2008	\$ 12,375	\$ 20,935	\$ 263,724	\$ 99,176	\$ 415,785
2009	10,125	15,563	250,719	88,646	382,703
2010	7,775	9,830	237,129	77,642	348,026
2011	5,325	4,574	222,880	65,990	312,394
2012	2,725	-	207,875	53,881	276,006
2013 - 17	-	-	791,541	83,769	899,060
2018 - 22	-	-	497,367	-	497,367
2023 - 27	-	-	255,887	-	255,887
2028 - 29	-	-	13,375	-	13,375
Totals	\$ 38,325	\$ 50,902	\$ 2,740,497	\$ 469,104	\$ 3,400,603

As of June 30, 2007, employees of the City had accumulated and vested \$196,457 of employee leave benefits.

Note 10. Fund Balances - Reserved

The net difference in the General Fund of the restricted assets and the liabilities payable therefrom has been reserved to indicate the current unavailability of the net assets to pay current expenditures.

Inventory at year end is equally offset by a fund balance reservation of the General Fund under the purchase method.

Revenues collected by the Sewer Use Fee Fund are dedicated for repayment of funds borrowed for acquisition, construction, and improvements to the sewage and wastewater collection, treatment, and disposal systems; therefore fund balance is reserved. Likewise, fund balance of the Sales Tax Fund has been reserved as revenues collected by the fund are dedicated for maintaining, improving, repairing, and extending streets and related improvements.

Note 11. Prior Period Adjustments

In the government-wide and fund financial statements, a prior period credit adjustment of \$424,524 was made to record the amount due from Bastrop Area Fire Protection District No. 2 (see Note 18). A prior period debit adjustment of \$94,809 was made to reverse intergovernmental receivables recorded in prior years but currently determined to be uncollectible largely due to cuts in state funding sources.

NOTES TO FINANCIAL STATEMENTS

In the government-wide fund financial statements only, a prior period debit adjustment of \$11,237 was made to correct the recording of the beginning balance of accrued interest on long-term liabilities and a \$4,866,777 prior period credit adjustment was made to record net capital assets as of July 1, 2006 upon the City's implementation of GASB Statement No. 34.

Note 12. Deferred Compensation Plan

The City offers all full-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency except for a one-time withdrawal which is subject to certain restrictions.

All assets of the plan, including all deferred amounts, property, and rights purchased with deferred amounts, and all income attributable to such deferred amounts, property, or rights, are held in a qualified trust, custodial account, or annuity contract for the exclusive benefit of the participants and beneficiaries. The assets are not subject to the claims of the City's creditors nor can they be used by the City for any purpose other than the payment of benefits to those individuals participating in the plan or their designated beneficiaries.

Note 13. Pension Plans and Other Pension Liabilities

For the year ended June 30, 2007, the City paid retirement benefits of \$78,806 from the General Fund to firemen who were already receiving benefits prior to December 1981. In December 1981, active City firemen were accepted into the Firefighters' Retirement System of Louisiana. The liability associated with this acceptance has been recorded in the government-wide financial statements as General Fund debt.

Substantially all employees of the City are members of Municipal employees' Retirement System of Louisiana, Municipal Police Employees' Retirement System of Louisiana, or Firefighter's Retirement System of Louisiana. These systems are cost-sharing, multiple-employer, defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

Municipal Employees' Retirement System of Louisiana (the "System"):

Plan Description:

The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All participating employees of the city are members of Plan A.

NOTES TO FINANCIAL STATEMENTS

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from City funds and all elected City officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225)925-4810.

Funding Policy:

Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 16.25% of annual covered payroll. Contributions to the System also include 1/4 of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System under Plan A for the years ended June 30, 2007, 2006, and 2005 were \$264,879, \$248,659, and \$244,223, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

Municipal Police Employees' Retirement System of Louisiana (the "System"):

Plan Description:

All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service, at or after age 55 with at least 12 years of creditable service, or at any age with 25 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service, not to exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Municipal Police Employees' Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225)929-7411.

Funding Policy:

Plan members are required by state statute to contribute 7.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 15.5% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System for the years ended June 30, 2007, 2006, and 2005 were \$184,373, \$196,749, and \$281,558, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

Firefighters' Retirement System of Louisiana (the "System"):

Plan Description:

Membership in the Firefighters' Retirement System of Louisiana is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service, not to exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Firefighters' Retirement System of Louisiana, P. O. Box 94095, Baton Rouge, Louisiana 70804, or by calling (225)925-4060.

Funding Policy:

Plan members are required by state statute to contribute 8.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 15.5% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System for the years ended June 30, 2007, 2006, and 2005 were \$198,552, \$220,992, and \$423,873, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

Note 14. On-Behalf Payments for Salaries

For the year ended June 30, 2007, the City recognized revenue and expenditures of \$7,200, \$159,080, and \$121,490 in salary supplements from State of Louisiana paid directly to employees of the administrative, police, and fire departments, respectively.

Note 15. Operating Leases

As of June 30, 2007, the City had entered into six equipment operating leases having initial or remaining noncancellable terms in excess of one year. The minimum annual commitment to be paid from the General Fund under the leases are as follows:

Year Ending <u>June 30,</u>	
2008	\$ 16,137
2009	12,163
2010	4,134
2011	2,736
2012	<u>912</u>
Total	<u>\$ 36,082</u>

Note 16. Agreement for Operations, Maintenance, and Management Services

In June 2006, the City entered into an automatically renewed five year term through May 31, 2011 with Veolia Water North America for operations, maintenance, and management services of the wastewater and related treatment facilities. The City agreed to adjust the annual fee (currently \$903,766 for the year ended June 30, 2007) by 3.0% through the term of the current agreement.

Note 17. Billing and Collection Agreement

A sewer billing and collection agreement was signed on March 27, 2001 by the City with Water Treatment & Controls Company (WT&C) wherein WT&C acts and serves as billing, receiving, and collection agent for the City's sewerage charges owed by WT&C customers who are also the City's sewer customers. The City will pay WT&C a monthly fee of \$2,500 for their services. The contract is for a period of one year commencing at the date of execution and will automatically be extended from year to year unless one of the parties gives 90 days written notice prior to the end of the current year of its intention to terminate the agreement. Effective April 1, 2005, the monthly fee increased to \$2,705 and to \$2,886 effective April 1, 2006 due to changes in the CPI-Urban Index as agreed to in the original contract.

NOTES TO FINANCIAL STATEMENTS

Note 18. Cooperative Endeavor Agreements

On February 19, 1999, the City entered into a contract and agreement with Bastrop Area Fire Protection District No. 2 (the "District") for the public benefit of the citizens of the City and the District. The term of the contract is for ten years commencing on January 1, 1999 and terminating on December 31, 2009.

Under the agreement, the District agreed to pay the City the base sum of \$367,000 during the first calendar year of the contract. For each calendar year thereafter, the District agreed to pay the base sum and an additional amount that may be revised annually. The calculated annual amount owed to the City by the District shall be paid in two equal installments with payments being due on February 1 and July 1.

During the year ended June 30, 2002, the District agreed to, with no formal agreement, and did pay the City \$17,500 for the use of a service truck and agreed to pay \$7,500 annually for its use also subject to an annual increase.

The City's legal counsel is of the opinion that amounts paid over the years under the current and previous contracts between the City and the District were miscalculated and underpaid by \$424,524. This underpayment was recorded in the financial statements as of June 30, 2007 (see Note 11), but the District has not agreed to the correctness or to the payment of the amount as of the date of this report.

On October 11, 2001, the City entered into a cooperative endeavor agreement with U.S. Filter (USF) (currently owned by Veolia Water North America). The City paid USF \$8,680 toward the acquisition of a backhoe to further the joint efforts of the City and USF in rehabilitating the City's sewage system. USF entered into a lease purchase agreement to acquire the backhoe and agreed, for so long as USF maintains a contractual agreement with the City for sewer rehab or service operation services (see Note 16), to assume any and all additional costs for acquisition of the backhoe. Provided that all contractual agreements between the City and USF remain in effect for a period of not less than eight years from the effective date of this agreement, with no material breach of the contractual agreement by the City, USF agrees to deliver full title to the equipment on or before the expiration of eight years after the of the effective date of this agreement, without further payment or remuneration due from the City.

Note 19. Contingencies and Risk Management

As of June 30, 2007, there was no pending or threatened litigation involving the City.

The City's legal counsel is of the opinion that Morehouse Parish Police Jury is legally responsible for meeting all federal, state, or local laws or regulations related to the solid waste landfill which is owned by the City but operated and managed by the Jury.

NOTES TO FINANCIAL STATEMENTS

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. There were no significant reductions in the insurance coverage during the fiscal year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2007 may be impaired. In the opinion of City management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 20. Commitments

An agreement was entered into by the City with the Federal Highway Administration on August 20, 2004 for \$257,000 funding, through Louisiana Department of Transportation and Development, to be used for the construction of concrete sidewalks in the downtown area of the City. The City will have to contribute 5% of the participating construction costs in addition to providing all design and construction inspection. As of June 30, 2005, the City had expended \$19,740 on design and construction inspection with no other related project costs being expended or obligated.

On August 16, 2005, the City accepted a \$246,661 grant award from United States Department of Justice to replace, upgrade, and acquire equipment for and provide training to the City's police department. As of June 30, 2007, no funds had been expended or obligated. The award end date has been extended to December 7, 2008.

Note 21. Subsequent Events

The State Bond Commission, State of Louisiana, approved on August 16, 2007 the City incurring debt and issuing not to exceed \$1,500,000 revenue anticipation notes for the purpose of paying current expenses and to pay the costs incurred in connection with the issuance of the notes. The proceeds of the notes were deposited by the City in September 2007. The notes mature with interest thereon no later than March 1, 2008.

NOTES TO FINANCIAL STATEMENTS

In September 2006, the City entered into an agreement with Louisiana Division of Administration for a community development block grant of \$450,000 with the City committing local funds of \$449,261. The funding sources will be used for street improvements. As of June 30, 2007, no funds had been obligated or expended but all funding sources had been expended as of the date of this report.

The City purchased a new gradall costing \$195,000 under capital lease in July 2007.

In August 2007, the City accepted a grant of \$146,727 from the Federal Aviation Administration for airport development or noise program implementation.

Also in August 2007, a cooperative endeavor agreement was entered into by the City and State of Louisiana appropriating \$75,000 for the main street program.

Louisiana Department of Public Safety and Corrections originally awarded the City \$14,689 in June 2007 to assist with funding to set up a construction code enforcement officer. In August 2007, an additional award of \$54,211 was received by the City for the project.

The City was notified in September 2007 of receiving \$200,000 of state capital outlay appropriations for roofing, repairs, planning, and construction of a fire station.

The City awarded a contract for sewer system improvements of \$695,661 on September 4, 2007.

Note 22. New Accounting Pronouncements

In November 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, requiring the accrual of postemployment benefits for retired employees. The City is required to implement this pronouncement for the fiscal year ending June 30, 2010. The City has not yet determined the full impact that adoption of GASB Statement No. 45 will have on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND - GENERAL FUND

As of and for the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance -
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Taxes	\$ 8,455,927	\$ 8,928,135	\$ 8,713,791	\$(214,344)
Licenses and permits	495,165	516,090	516,436	346
Intergovernmental	1,058,264	1,345,204	1,514,579	169,375
Fees, charges, and commissions for services	261,635	253,574	256,018	2,444
Fines and forfeitures	156,040	128,339	128,358	19
Interest and miscellaneous	240,321	361,020	390,995	29,975
Total revenues	<u>\$ 10,667,352</u>	<u>\$ 11,532,362</u>	<u>\$ 11,520,177</u>	<u>\$(12,185)</u>
Expenditures:				
Current:				
General government	\$ 2,509,063	\$ 2,493,753	\$ 2,535,703	\$(41,950)
Public safety	5,093,904	4,855,516	4,948,263	(92,747)
Public works	1,834,710	1,987,356	1,994,952	(7,596)
Sanitation	915,150	1,162,181	1,025,841	136,340
Economic development	60,000	141,640	1,190,321	(1,048,681)
Debt service:				
Principal	1,644,267	1,651,908	1,639,329	12,579
Interest and fiscal charges	57,400	57,564	75,875	(18,311)
Costs of debt issuance	-	-	50,229	(50,229)
Capital outlay	67,500	264,294	631,019	(366,725)
Total expenditures	<u>\$ 12,181,994</u>	<u>\$ 12,614,212</u>	<u>\$ 14,091,532</u>	<u>\$(1,477,320)</u>
Excess (deficiency) of revenues over expenditures	<u>\$(1,514,642)</u>	<u>\$(1,081,850)</u>	<u>\$(2,571,355)</u>	<u>\$(1,489,505)</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND - GENERAL FUND (Continued)

As of and for the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Other financing sources (uses):				
Operating transfers in (out)	\$(3,858)	\$ 13,500	\$ -	\$(13,500)
Revenue anticipation note proceeds	1,500,000	1,500,000	1,500,000	-
Long-term debt proceeds	<u>-</u>	<u>-</u>	<u>1,534,000</u>	<u>1,534,000</u>
Total other financing sources (uses)	<u>\$ 1,496,142</u>	<u>\$ 1,513,500</u>	<u>\$ 3,034,000</u>	<u>\$ 1,520,500</u>
Net change in fund balance	\$(18,500)	\$ 431,650	\$ 462,645	\$ 30,995
Fund balance - beginning	-	-	1,123,742	1,123,742
Prior period adjustments	<u>-</u>	<u>-</u>	<u>329,715</u>	<u>329,715</u>
Fund balance - ending	<u>\$(18,500)</u>	<u>\$ 431,650</u>	<u>\$ 1,916,102</u>	<u>\$ 1,484,452</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND - SEWER USE FEE FUND
As of and for the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fees, charges, and commissions for services	\$ 1,033,000	\$ 1,050,141	\$ 1,029,100	\$(21,041)
Interest and miscellaneous	<u>146,209</u>	<u>180,704</u>	<u>193,482</u>	<u>12,778</u>
Total revenues	<u>\$ 1,179,209</u>	<u>\$ 1,230,845</u>	<u>\$ 1,222,582</u>	<u>\$(8,263)</u>
Expenditures:				
Current:				
Sanitation	\$ 596,648	\$ 358,391	\$ 388,629	\$(30,238)
Debt service:				
Principal	775,336	690,458	470,000	220,458
Interest and fiscal charges	-	-	283,685	(283,685)
Capital outlay	<u>37,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 1,408,984</u>	<u>\$ 1,048,849</u>	<u>\$ 1,142,314</u>	<u>\$(93,465)</u>
Excess (deficiency) of revenues over expenditures	\$(229,775)	\$ 181,996	\$ 80,268	\$(101,728)
Fund balance - reserved - beginning	<u>869,409</u>	<u>1,141,513</u>	<u>3,826,944</u>	<u>2,685,431</u>
Fund balance - reserved - ending	<u>\$ 639,634</u>	<u>\$ 1,323,509</u>	<u>\$ 3,907,212</u>	<u>\$ 2,583,703</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - GOVERNMENTAL FUND - SALES TAX FUND

As of and for the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance -
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Taxes	\$ 837,000	\$ 870,000	\$ 910,772	\$ 40,772
Interest and miscellaneous	<u>16,000</u>	<u>75,852</u>	<u>132,157</u>	<u>56,305</u>
Total revenues	<u>\$ 853,000</u>	<u>\$ 945,852</u>	<u>\$ 1,042,929</u>	<u>\$ 97,077</u>
Expenditures:				
Current:				
Public works	\$ 2,881,310	\$ 161,963	\$ 224,825	\$ (62,862)
Debt service:				
Principal	370,000	371,409	260,000	111,409
Interest and fiscal charges	-	-	111,409	(111,409)
Costs of debt issuance	10,000	-	-	-
Capital outlay	<u>95,000</u>	<u>106,826</u>	<u>103,723</u>	<u>3,103</u>
Total expenditures	<u>\$ 3,356,310</u>	<u>\$ 640,198</u>	<u>\$ 699,957</u>	<u>(59,759)</u>
Excess (deficiency) of revenues over expenditures	<u>\$(2,503,310)</u>	<u>\$ 305,654</u>	<u>\$ 342,972</u>	<u>\$ 37,318</u>
Fund balance - reserved - beginning	<u>3,925,619</u>	<u>-</u>	<u>3,522,958</u>	<u>3,522,958</u>
Fund balance - reserved - ending	<u>\$ 1,422,309</u>	<u>\$ 305,654</u>	<u>\$ 3,865,930</u>	<u>\$ 3,560,276</u>

CITY OF BASTROP, LOUISIANA

NOTE TO BUDGETARY COMPARISON SCHEDULES

As of and for the Year Ended June 30, 2007

Note 1. Revenues and Expenditures - Budget and Actual

Actual expenditures and other financing uses of \$14,091,532 of the General Fund exceeded budgeted expenditures and other financing uses of \$12,614,212 for the year ended June 30, 2007 by \$1,477,320 or 11.71%.

Actual expenditures and other financing uses of \$1,142,314 of the Sewer Use Fee Fund exceeded budgeted expenditures and other financing uses of \$1,048,849 for the year ended June 30, 2007 by \$93,465 or 8.91%.

Actual expenditures and other financing uses of the Sales Tax Fund of \$699,957 exceeded budgeted expenditures and other financing uses of \$640,198 for the year ended June 30, 2007 by \$59,759 or 9.33%.

OTHER SUPPLEMENTARY INFORMATION

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND REVENUES -
BUDGET AND ACTUAL

As of and for the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance -</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Ad valorem	\$ 3,106,590	\$ 3,137,464	\$ 3,145,161	\$ 7,697
Sales	5,000,000	5,380,273	5,164,694	(215,579)
Gross receipts	327,737	388,798	380,046	(8,752)
Costs and interest	<u>21,600</u>	<u>21,600</u>	<u>23,890</u>	<u>2,290</u>
	<u>\$ 8,455,927</u>	<u>\$ 8,928,135</u>	<u>\$ 8,713,791</u>	<u>\$(214,344)</u>
Licenses and permits:				
Business licenses	\$ 250,000	\$ 305,100	\$ 305,250	\$ 150
Insurance licenses	185,000	177,685	177,685	-
Building permits	37,000	11,271	11,271	-
Beer and liquor permits	11,000	9,415	9,415	-
Other permits	<u>12,165</u>	<u>12,619</u>	<u>12,815</u>	<u>196</u>
	<u>\$ 495,165</u>	<u>\$ 516,090</u>	<u>\$ 516,436</u>	<u>\$ 346</u>
Intergovernmental:				
Fire insurance	\$ 67,580	\$ 41,410	\$ 43,834	\$ 2,424
Bastrop Area Fire				
Protection District No. 2	528,600	589,195	590,501	1,306
Grants	57,808	321,194	494,753	173,559
Supplemental pay	309,600	291,320	287,770	(3,550)
Other	<u>94,676</u>	<u>102,085</u>	<u>97,721</u>	<u>(4,364)</u>
	<u>\$ 1,058,264</u>	<u>\$ 1,345,204</u>	<u>\$ 1,514,579</u>	<u>\$ 169,375</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND REVENUES -
BUDGET AND ACTUAL (Continued)
As of and for the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance -</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Fees, charges, and commissions for services:				
Cemetery lot sales	\$ 54,000	\$ 42,068	\$ 42,068	\$ -
City court and police jury	25,000	20,852	20,852	-
Recreation fees	22,600	18,741	18,863	122
Sewer fees	48,000	45,585	45,665	80
Municipal center	32,000	32,287	32,687	400
Other charges	<u>80,035</u>	<u>94,041</u>	<u>95,883</u>	<u>1,842</u>
	<u>\$ 261,635</u>	<u>\$ 253,574</u>	<u>\$ 256,018</u>	<u>\$ 2,444</u>
Fines and forfeitures:				
Court and parking	<u>\$ 156,040</u>	<u>\$ 128,339</u>	<u>\$ 128,358</u>	<u>\$ 19</u>
Interest and miscellaneous:				
Interest	\$ 54,270	\$ 86,140	\$ 87,707	\$ 1,567
Other	<u>186,051</u>	<u>274,880</u>	<u>303,288</u>	<u>28,408</u>
	<u>\$ 240,321</u>	<u>\$ 361,020</u>	<u>\$ 390,995</u>	<u>\$ 29,975</u>
Total general fund revenues	<u>\$ 10,667,352</u>	<u>\$ 11,532,362</u>	<u>\$ 11,520,177</u>	<u>\$ (12,185)</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND CURRENT EXPENDITURES -
BUDGET AND ACTUAL

As of and for the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
General government:				
Salaries	\$ 875,013	\$ 835,886	\$ 835,338	\$ 548
Payroll taxes and retirement	212,426	184,260	183,044	1,216
Street and traffic lights	165,000	161,770	174,143	(12,373)
Utilities and telephone	174,750	182,180	168,286	13,894
Office	24,685	34,931	27,895	7,036
Vehicle	14,865	13,942	13,940	2
Maintenance and supplies	108,717	90,648	76,332	14,316
Insurance	682,843	709,274	719,592	(10,318)
Travel	21,000	24,439	22,655	1,784
Airport	25,000	48,094	48,093	1
Mainstreet	-	27,636	29,012	(1,376)
Other	<u>204,764</u>	<u>180,693</u>	<u>237,372</u>	<u>(56,679)</u>
Total general government	<u>\$ 2,509,063</u>	<u>\$ 2,493,753</u>	<u>\$ 2,535,702</u>	<u>\$(41,949)</u>
Public safety:				
Police:				
Salaries	\$ 1,568,200	\$ 1,485,400	\$ 1,494,586	\$(9,186)
Payroll taxes and retirement	254,925	217,671	217,619	52
Insurance	223,000	189,000	205,830	(16,830)
Telephone	29,107	21,038	20,448	590
Office	9,000	15,192	14,873	319
Vehicle	75,500	77,325	77,974	(649)
Maintenance and supplies	49,750	52,980	131,724	(78,744)
Housing inmates	91,000	94,967	90,206	4,761
Uniforms and laundry	13,000	3,872	3,905	(33)
Other	<u>42,400</u>	<u>31,337</u>	<u>33,686</u>	<u>(2,349)</u>
Total police	<u>\$ 2,355,882</u>	<u>\$ 2,188,782</u>	<u>\$ 2,290,851</u>	<u>\$(102,069)</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND CURRENT EXPENDITURES -
BUDGET AND ACTUAL (Continued)

As of and for the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance -
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
Public safety (continued):				
Fire:				
Salaries	\$ 1,747,200	\$ 1,777,000	\$ 1,774,085	\$ 2,915
Payroll taxes and retirement	459,237	417,698	416,464	1,234
Insurance	297,395	269,000	292,594	(23,594)
Utilities and telephone	47,000	45,765	43,550	2,215
Vehicle	36,000	40,187	40,215	(28)
Maintenance and supplies	54,000	49,534	51,006	(1,472)
Uniforms and laundry	20,000	11,501	11,453	48
Other	77,190	56,049	28,045	28,004
Total fire	<u>\$ 2,738,022</u>	<u>\$ 2,666,734</u>	<u>\$ 2,657,412</u>	<u>\$ 9,322</u>
Total public safety	<u>\$ 5,093,904</u>	<u>\$ 4,855,516</u>	<u>\$ 4,948,263</u>	<u>\$ (92,747)</u>
Public works:				
Highways and streets:				
Salaries	\$ 340,000	\$ 440,800	\$ 441,069	\$ (269)
Payroll taxes and retirement	81,260	87,605	87,557	48
Insurance	61,790	56,900	61,535	(4,635)
Utilities and telephone	7,750	8,730	7,859	871
Vehicle	48,300	77,847	78,045	(198)
Maintenance and supplies	96,400	133,675	127,393	6,282
Other	2,050	1,079	544	535
Total highways and streets	<u>\$ 637,550</u>	<u>\$ 806,636</u>	<u>\$ 804,002</u>	<u>\$ 2,634</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND CURRENT EXPENDITURES -
BUDGET AND ACTUAL (Continued)
As of and for the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Public works (continued):				
Health:				
Salaries	\$ 64,000	\$ 64,094	\$ 63,934	\$ 160
Payroll taxes and retirement	15,296	11,127	10,899	228
Insurance	11,600	10,600	11,499	(899)
Utilities and telephone	8,100	9,137	8,944	193
Vehicle	6,550	8,332	8,332	-
Maintenance and supplies	42,425	50,708	50,707	1
Other	2,200	1,272	1,274	(2)
Total health	<u>\$ 150,171</u>	<u>\$ 155,270</u>	<u>\$ 155,589</u>	<u>\$ (319)</u>
Recreation:				
Salaries	\$ 366,000	\$ 350,747	\$ 349,615	\$ 1,132
Payroll taxes and retirement	79,999	65,589	65,506	83
Insurance	36,600	33,000	35,696	(2,696)
Utilities and telephone	96,000	107,855	116,588	(8,733)
Vehicle	14,700	11,597	11,597	-
Maintenance and supplies	56,600	77,671	75,371	2,300
Other	14,550	21,932	22,104	(172)
Total recreation	<u>\$ 664,449</u>	<u>\$ 668,391</u>	<u>\$ 676,477</u>	<u>\$ (8,086)</u>
Cemetery:				
Salaries	\$ 133,000	\$ 108,000	\$ 107,879	\$ 121
Payroll taxes and retirement	31,788	24,821	24,600	221
Insurance	26,531	22,067	24,275	(2,208)
Vehicle	7,500	5,082	5,082	-
Maintenance and supplies	8,180	7,060	7,062	(2)
Other	3,100	3,703	3,770	(67)
Total cemetery	<u>\$ 210,099</u>	<u>\$ 170,733</u>	<u>\$ 172,668</u>	<u>\$ (1,935)</u>

(continued)

CITY OF BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND CURRENT EXPENDITURES -
BUDGET AND ACTUAL (Continued)

As of and for the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance -
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Public works (continued):				
Building maintenance:				
Salaries	\$ 91,000	\$ 84,154	\$ 83,568	\$ 586
Payroll taxes and retirement	21,750	18,820	18,431	389
Insurance	18,071	16,000	17,276	(1,276)
Vehicle	4,400	3,613	3,612	1
Maintenance and supplies	37,070	63,722	63,313	409
Other	150	17	16	1
Total building maintenance	<u>\$ 172,441</u>	<u>\$ 186,326</u>	<u>\$ 186,216</u>	<u>\$ 110</u>
Total public works	<u>\$ 1,834,710</u>	<u>\$ 1,987,356</u>	<u>\$ 1,994,952</u>	<u>\$ (7,596)</u>
Sanitation:				
Sewer:				
Service contract	\$ 899,000	\$ 1,145,321	\$ 1,010,193	\$ 135,128
Other	16,150	16,860	15,648	1,212
Total sanitation	<u>\$ 915,150</u>	<u>\$ 1,162,181</u>	<u>\$ 1,025,841</u>	<u>\$ 136,340</u>
Economic development	<u>\$ 60,000</u>	<u>\$ 141,640</u>	<u>\$ 1,190,321</u>	<u>\$ (1,048,681)</u>
Total general fund current expenditures	<u>\$ 10,412,827</u>	<u>\$ 10,640,446</u>	<u>\$ 11,695,079</u>	<u>\$ (1,054,633)</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF SEWER USE FEE FUND REVENUES -
BUDGET AND ACTUAL

As of and for the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Fees, charges, and commissions for services:				
Sewer fees	\$ 1,033,000	\$ 1,050,141	\$ 1,029,100	\$(21,041)
Interest and miscellaneous:				
Interest	<u>146,209</u>	<u>180,704</u>	<u>193,482</u>	<u>12,778</u>
Total sewer use fee fund revenues	<u>\$ 1,179,209</u>	<u>\$ 1,230,845</u>	<u>\$ 1,222,582</u>	<u>\$(8,263)</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF SEWER USE FEE FUND CURRENT EXPENDITURES -
BUDGET AND ACTUAL

As of and for the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Sanitation:				
Sewer:				
Maintenance and supplies	\$ 577,548	\$ 358,361	\$ 379,308	\$ (20,947)
Other	<u>19,100</u>	<u>30</u>	<u>9,321</u>	<u>(9,291)</u>
Total sewer use fee fund current expenditures	<u>\$ 596,648</u>	<u>\$ 358,391</u>	<u>\$ 388,629</u>	<u>\$ (30,238)</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF SALES TAX FUND REVENUES -
BUDGET AND ACTUAL

As of and for the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance -
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Taxes:				
Sales	\$ 837,000	\$ 870,000	\$ 910,772	\$ 40,772
Interest and miscellaneous:				
Interest	<u>16,000</u>	<u>75,852</u>	<u>132,157</u>	<u>56,305</u>
Total sales tax fund revenues	<u>\$ 853,000</u>	<u>\$ 945,852</u>	<u>\$ 1,042,929</u>	<u>\$ 97,077</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF SALES TAX FUND CURRENT EXPENDITURES -
BUDGET AND ACTUAL

As of and for the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>			Variance -
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Favorable <u>(Unfavorable)</u>
Public works:				
Highways and streets:				
Maintenance and supplies	\$ 35,410	\$ 33,986	\$ 44,088	\$(10,102)
Other	<u>2,845,900</u>	<u>127,977</u>	<u>180,737</u>	<u>(52,760)</u>
Total sales tax fund current expenditures	<u>\$ 2,881,310</u>	<u>\$ 161,963</u>	<u>\$ 224,825</u>	<u>\$(62,862)</u>

CITY OF BASTROP, LOUISIANA

SCHEDULE OF MAYOR'S AND ALDERMEN'S COMPENSATION

As of and for the Year Ended June 30, 2007

The schedule of compensation paid to the mayor and aldermen is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the mayor and aldermen is included in the general administrative expenditures of the General Fund. The mayor and aldermen receive compensation pursuant to Louisiana Revised Statute 404.1.

Clarence Hawkins, Mayor	\$ 75,200
Betty Alford-Olive, Alderman	10,291
Willie Lenoir, Alderman	10,291
Arthur Hamlin, Alderman	10,291
Eddie Gorden, Alderman	10,291
Beulah Robinson, Alderman	<u>10,291</u>
Total mayor's and aldermen's compensation	<u>\$ 126,655</u>

HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Clarence W. Hawkins, Mayor,
and Members of the Board of Aldermen
City of Bastrop, Louisiana

We have audited the financial statements of the governmental activities and each major fund of City of Bastrop, Louisiana (the "City"), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the

City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-1, 2007-3, 2007-4, 2007-5, and 2007-6 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-1 and 2007-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2007-2 and 2007-7.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

s/HILL, INZINA & CO.

January 16, 2008

CITY OF BASTROP, LOUISIANA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
WITH MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION
As of and for the Year Ended June 30, 2007**

We have audited the financial statements of the governmental activities and each major fund of City of Bastrop, Louisiana (the "City"), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2007 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing
Standards***

Internal Control

Significant Deficiencies ☒ Yes ☐ No

Material Weaknesses ☒ Yes ☐ No

Compliance

Material to Financial Statements ☒ Yes ☐ No

Section II - Financial Statement Findings

2007-1 Inadequate Segregation of Duties (initial citing as of and for the ended June 30, 1985)

Criteria: Adequate segregation of duties is essential to a proper internal control structure.

Condition: The segregation of duties is inadequate to provide effective internal control.

Cause: The condition is due to economic and space limitations.

Effect: Not determined.

Recommendation: No action is recommended.

Management's
response and
planned cor-
rective action:

We concur in the finding but it is not economically feasible for corrective action to be taken.

2007-2 Noncompliance with Local Government Budget Act (initial citing as of and for the year ended June 30, 2003)

Criteria:

The Local Government Budget Act requires that the chief executive officer or equivalent notify in writing the governing authority during the year when actual receipts and other financing sources plus projected revenue collections and other financing sources for the year fail to meet budgeted revenues and other financing sources by 5% or more, or when actual expenditures and other financing uses plus projected expenditures and other financing uses to year end exceed budgeted expenditures and other financing uses by 5% or more.

Louisiana Revised Statute 39:1304(E) provides that the total budgeted expenditures of a fund shall not exceed the total of estimated funds available for the year.

Condition:

Actual expenditures and other financing uses of \$14,091,532 of the General Fund exceeded budgeted expenditures and other financing uses of \$12,614,212 for the year ended June 30, 2007 by \$1,477,320 or 11.71%.

Actual expenditures and other financing uses of \$1,142,314 of the Sewer Use Fee Fund exceeded budgeted expenditures and other financing uses of \$1,048,849 for the year ended June 30, 2007 by \$93,465 or 8.91%.

Actual expenditures and other financing uses of the Sales Tax Fund of \$2,104,728 exceeded budgeted expenditures and other financing uses of \$640,198 for the year ended June 30, 2007 by \$1,464,530 or 228.76%.

The total expenditures and other financing uses originally budgeted for the General Fund for the year ended June 30, 2007 exceeded the total revenues, other financing sources, and beginning fund balance originally budgeted by \$18,500.

Cause: The budget was not monitored and written notification made by the chief executive or administrative official to the governing authority that budget amendments were necessary.

Management of the City failed to include the beginning fund balance of the General Fund when preparing the budget.

Effect: The City is in violation of the Local Government Budget Act and the related statutes.

Recommendation: The chief executive officer or the equivalent should notify the governing authority in writing during the year when actual expenditures and other financing uses plus projected expenditures and other financing uses to year end exceed budgeted expenditures and other financing uses by 5% or more. The governing authority should amend the budget when notified.

**Management's
response and
planned cor-
rective action:**

We concur with the finding. When the budget was adopted, we did not include the beginning balance of the General Fund. Safeguards have been put into place to prevent this from occurring in the future.

2007-3 Delinquency of Payment Collections on Loans Receivable (initial citing as of and for the year ended June 30, 2001)

Criteria: Some of the loans made to local businesses had provision for payment by economic impact credits if the businesses employed the required number of full-time, local employees during the stated consecutive quarters of the 2003 calendar year.

The individual promissory notes made in previous years state that failure to pay any installment when due, shall at the option of the holder, mature all remaining unpaid installments.

Condition: Failure by all parties to meet the defined economic impact credits and/or ceasing operations resulted in initial payments becoming due on November 1, 2003 or January 1, 2004. As of June 30, 2007, only one monthly payment had been received from one party.

During the years ended June 30, 2007, 2006, and 2005, management of the City determined that \$25,321, \$5,000, and \$28,536, respectively, of promissory notes were uncollectible and expensed such amounts as bad debts.

Cause: The City has not taken legal action to enforce repayment of the loans made to local businesses upon the parties failing to meet the defined economic impact credits and/or ceasing operations, nor has the City opted to mature all remaining unpaid installments of the promissory notes upon failure to pay any installment when due.

Effect: City funds were not collected and others remain susceptible to not being collected.

Recommendation: We recommend that the City promptly take legal action to enforce the payment provisions of all delinquent loans and to not make any other similar loans.

**Management's
response and
planned cor-
rective action:**

We concur with the finding. As of the date of this report, one loan has been paid off and our legal counsel has begun foreclosure proceedings on the other loan.

2007-4 Improvement of Controls Over Expenditures/Disbursements (initial citing as of and for the year ended June 30, 2006)

Criteria: Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss resulting from unauthorized use and that transactions are executed in accordance with management's authorization.

Condition: Eight disbursements examined (totaling \$11,724) out of a total of 23 disbursements examined (24%) (totaling \$49,831) did not have purchase orders issued or were supported by purchase orders dated after the invoice date.

Cause: Employees of the City have not accepted the value of such internal control procedures.

Effect: The failure to adhere to internal controls over cash disbursements could result in a loss of assets from unauthorized use or disposition or from transactions that are not in accordance with management's authorization.

Recommendation: We recommend that purchase orders be timely issued for all applicable disbursements to provide evidence that disbursements are valid expenditures of the City.

Management's
response and
planned cor-
rective action:

We concur with the finding. The Mayor will immediately address this matter in a memorandum to all city employees informing them that the appropriate action will be taken to ensure compliance.

2007-5 Internal Control over Financial Reporting (initial citing)

Criteria: Management of the City should have sufficient capable expertise to prepare financial statements in accordance with accounting principles generally accepted in the United States of America and the related footnotes. Internal controls should be adopted and implemented to prevent, detect, or correct a misstatement in the financial statements or footnotes.

Condition: Although management of the City does not actually prepare and draft the financial statements and the related footnotes, they do have the capacity and experience to oversee the process. They provide all of the information to be included and they understand the presentation.

Cause: The condition is due to economic limitations.

Effect: Misstatements in the financial statements or footnotes may not be detected within a timely period.

Recommendation: No action is recommended.

Management's
response and
planned cor-
rective action:

We concur with the finding but it is not economically feasible for corrective action to be taken.

2007-6 Improvement of Controls (initial citing)

Criteria: Management is responsible for establishing internal control policies and procedures that provide for proper accounting, reasonable assurance that assets are safeguarded against loss resulting from unauthorized use, and that transactions are executed in accordance with management's authorization.

Condition: Transactions of all bank accounts were not recorded in a timely manner nor were all bank accounts reconciled on a monthly basis.

Due to problems within the general ledger software, trial balances of the General and Sewer Use Fee Funds did not balance as of June 30, 2007.

The matter as to whom the recipient of the excess funds from a previous bond issuance are has still not been resolved.

A vendor was overpaid \$3,300 which was later refunded.

Due to the untimely payment of payroll taxes, the City had to pay approximately \$13,200 in late payment penalties.

Incorrect amounts were reported on line one of some of the Forms 941 filed during the year ended June 30, 2007.

One of the financial institutions holding deposits of the City did not respond to numerous request made by the auditor as to bank balances and securities pledged on behalf of the City as of June 30, 2007.

Some employees were allowed to accumulate or be paid for excess compensated time.

An escrow account set up bond counsel for the City was not interest-bearing nor timely terminated per the legal documents providing for such an account.

Cause: An internal control system was not designed and/or implemented to ensure that adequate controls were in place in all areas to prevent, detect, and correct noncompliance in a timely manner. Management of the City was not seeking advice and reviewing transactions on a regular basis to ensure that financial related matters were in compliance.

Effect: The failure to establish and/or implement internal controls may have resulted in a loss of assets.

Recommendation: Management of the Jury should establish and enforce implementation of internal controls to ensure that transactions are timely made and recorded in compliance with the applicable laws and internal policies.

Those employees without direct supervision and all department heads should be required to have another employee approve their earning and taking of compensated time.

Management's
response and
planned cor-
rective action:

We concur with the finding. Each finding was corrected on an individual basis.

2007-7 Violation of State Statutes

Criteria: Pursuant to Louisiana Revised Statutes 24:513 and 24:514, all annual audits must be completed and submitted to the Legislative Auditor within six months of the close of the auditee's fiscal year.

Condition: The City's annual audit for the fiscal year ended June 30, 2007 was not submitted to the Legislative Auditor within six months of the end of the fiscal year.

Cause: Working with an outside programmer, City's management was not able to provide complete capital asset records until January 2008.

Effect: The City is in violation of the statutes.

Recommendation: Records of the City should be maintained and made available in a timely manner allowing completion and submission of the annual audits.

Management's
response and
planned cor-
rective action:

We concur with the finding. Capital asset records have been completed.

Section III - Management Letter

None issued.

CITY OF BASTROP, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

As of and for the Year Ended June 30, 2007

Section I - Internal Control and Compliance Material to Financial Statements

2006-1 Inadequate Segregation of Duties

Adequate segregation of duties is essential to a proper internal control structure.

Unresolved - 2007-1.

2006-2 Noncompliance with Local Government Budget Act

The chief executive officer, or equivalent, should notify in writing the governing authority during the year when actual receipts and other financing sources plus projected revenue collections for the year fail to meet budgeted revenues by 5% or more, or when actual expenditures and other financing uses plus projected expenditures to year end exceed expenditures by 5% or more.

Unresolved - 2007-2.

2006-3 Asset Management

State statutes require that the City maintain records of its fixed assets and movable property.

Resolved.

2006-4 Delinquency of Payment Collections on Loans Receivable

The City has not opted to mature all remaining unpaid installments of the promissory notes upon failure to pay any installment when due.

Unresolved - 2007-3.

2006-5 Improvement of Controls Over Expenditures/Disbursements

Management is responsible for establishing internal control policies and procedures that provide reasonable assurance that assets are safeguarded against loss resulting from unauthorized use and that transactions are executed in accordance with management's authorization.

Unresolved - 2007-4.

Section II - Management Letter

None issued.